

A G E N D A

NATIONAL SECURITY COUNCIL MEETING

THURSDAY, MARCH 25, 1982 - 1:00 P.M.

CABINET ROOM

REPORT FROM INTERAGENCY MISSION TO EUROPE

- I. Introduction - Bill Clark
- II. Report from Mission - Jim Buckley
- III. Discussion

Issues:

(1) Are further efforts warranted to achieve effective restraint on future official credits and credit guarantees to Soviet Union?

(2) Should the President continue to hold in abeyance a decision on the extraterritorial application of the December sanctions as they pertain to exports of oil and gas equipment to the Soviet Union?

(3) What should press guidance be?

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Talking Points

Poland's Prospects for the Next 12 to 18 Months

(Based on SNIE 12-6/82)

- Top priority for both Polish leadership and Moscow is to restore and maintain centralized political control.
- This objective rules out genuine accommodation between regime, church and Solidarity. Likelihood is continued or intensified repression.
- But, cosmetic "concessions" on Western demands to end martial law, free the internees, and initiate political discourse can be anticipated as means to relieve sanctions pressure (which is hurting) and to divide Western Europe from US.
- Martial law has permitted regime to force Polish people to swallow some unpalatable economic medicine (for example, steep consumer price increases), but has made introduction of an effective overall economic reform program still more difficult. Meanwhile, economic situation still deteriorating:
  - uncertain whether further decline can be halted at level providing tolerable standard of living.
  - famine not likely but food outlook is bleak, with possible crisis looming by late spring.
  - Warsaw will be unable to make any significant principal payments on its \$27 billion debt for foreseeable future, and will not meet much of the \$2.5 billion interest due banks in 1982. Risk of default will continue to grow.
- West cannot expect its pressure to lead to serious political liberalization in Poland over near term. Most we can hope for is that combination of Soviet and Polish need for Western economic cooperation, steadfast Western rejection of business-as-usual, and continued passive resistance to the authorities by the Polish population will have some moderating influence on the regime and maintain the possibility of long-term compromise within Polish society.

SECRET

Dependence on Soviet Gas in 1990

	<u>Percent of Total Gas</u>			<u>Percent of Total Energy</u>		
	<u>No Line<sup>1</sup></u>	<u>One Line<sup>2</sup></u>	<u>Two Lines<sup>3</sup></u>	<u>No Line</u>	<u>One Line</u>	<u>Two Lines</u>
West Germany	15	26	33	4	6	7
France	9	25	34	1	4	5
Italy	13	22	26	3	6	7
Netherlands	0	8	13	0	4	5
Belgium	0	27	40	0	7	9
Austria	23	47	58	7	14	16

<sup>1</sup> Assumes that no additional gas is imported beyond already operating contracts.

<sup>2</sup> Assumes additional 3 billion cubic feet per day (530,000 b/d oil equivalent) from Urengoy project.

<sup>3</sup> Assumes additional 4.6 billion cubic feet per day (820,000 b/d oil equivalent) from Urengoy project.

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